STATE OF ARIZONA
OFFICE OF THE GOVERNOR

DOUGLAS A. DUCEY
GOVERNOR

EXECUTIVE OFFICE

May 3, 2018

The Honorable Michele Reagan
Secretary of State
1700 W. Washington, 7th Floor
Phoenix, AZ 85007

Dear Secretary Reagan:

I am transmitting to you the following bills from the Fifty-third Legislature, 2nd Regular Session, which I signed on May 3, 2018:

SB 1520 general appropriations act; 2018-2019
SB 1522 capital outlay; appropriations; 2018-2019
SB 1523 criminal justice; budget reconciliation; 2018-2019
SB 1524 budget procedures; budget reconciliation; 2018-2019
SB 1525 environment; budget reconciliation; 2018-2019
SB 1527 higher education; budget reconciliation; 2018-2019
SB 1528 higher education; budget reconciliation; 2018-2019
SB 1529 revenues; budget reconciliation; 2018-2019
HB 2659 health; budget reconciliation; 2018-2019
HB 2663 K-12 education; budget reconciliation; 2018-2019

Sincerely,

Douglas A. Ducey
Governor
State of Arizona

cc: Senate Secretary
Chief Clerk of the House of Representatives
Arizona News Service

Senate Engrossed

FILED

MICHELE REAGAN

SECRETARY OF STATE

State of Arizona
Senate
Fifty-third Legislature
Second Regular Session
2018

CHAPTER 283

SENATE BILL 1529

AN ACT

AMENDING SECTIONS 6-991.21, 15-910, 43-409 AND 43-1022, ARIZONA REVISED STATUTES; AMENDING LAWS 2017, CHAPTER 312, SECTIONS 7, 8 AND 9; APPROPRIATING MONIES; RELATING TO REVENUE BUDGET RECONCILIATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 6-991.21, Arizona Revised Statutes, is amended to read:

6-991.21. Financial services fund; use of fund

A. The financial services fund is established consisting of loan originator fees collected pursuant to this article. The superintendent shall administer the fund for the ~~supervision and regulation of loan originators~~ PURPOSE OF DISCHARGING THE DUTIES IMPOSED BY LAW ON THE DEPARTMENT.

B. Monies deposited in the financial services fund are subject to section 35-143.01.

Sec. 2. Section 15-910, Arizona Revised Statutes, is amended to read:

15-910. School district budgets; excess utility costs; desegregation costs; tuition costs for bond issues; costs for registering warrants; report

A. The governing board may budget for the district's excess utility costs that are specifically exempt from the district's revenue control limit. If approved by the qualified electors voting at a statewide general election, the exemption from the revenue control limit under this subsection expires at the end of the 2008-2009 budget year. The uniform system of financial records shall specify expenditure items allowable as excess utility costs, which are limited to direct operational costs of heating, cooling, water and electricity, telephone communications and sanitation fees. The department of education and the auditor general shall include in the maintenance and operation section of the budget format, as provided in section 15-903, a separate line for utility expenditures and a special excess utility cost category. The special excess utility cost category shall contain budgeted expenditures for excess utility costs, determined as follows:

1. Determine the lesser of the total budgeted or total actual utility expenditures for fiscal year 1984-1985.

2. Multiply the amount in paragraph 1 of this subsection by the total percentage increase or decrease in the revenue control limit and the capital outlay revenue limit for the budget year over the revenue control limit and the capital outlay revenue limit for fiscal year 1984-1985 excluding monies available from a teacher compensation program provided for in section 15-952.

3. The sum of the amounts in paragraphs 1 and 2 of this subsection is the amount budgeted in the utility expenditure line.

4. Additional expenditures for utilities are budgeted in the excess utility cost category.

B. The governing board shall apply the same percentage increase or decrease allowed in the revenue control limit and the capital outlay

revenue limit as provided in section 15-905, subsection E to the utility expenditure line of the budget.

C. The governing board may expend from the excess utility cost category only after it has expended for utility purposes the full amount budgeted in the utility expenditure line of the budget.

D. The governing board, after notice is given and a public meeting is held as provided in section 15-905, subsection D, may revise at any time before May 15 the amount budgeted in the excess utility cost category for the current year. Not later than May 18, the budget as revised shall be submitted electronically to the superintendent of public instruction.

E. If the revised excess utility cost category results in an expenditure of monies in excess of school district revenues for the current year, the county school superintendent shall include within the revenue estimate for the budget year monies necessary to meet the liabilities incurred by the school district in the current year in excess of revenues received for the current year.

F. If a school district receives a refund of utility expenditures or a rebate on energy saving devices or services, the refund or rebate shall be applied against utility expenditures for the current year as a reduction of the expenditures, except that the reduction of expenditures shall not exceed the amount of actual utility expenditures.

G. The governing board may budget for expenses of complying with or continuing to implement activities that were required or permitted by a court order of desegregation or administrative agreement with the United States department of education office for civil rights directed toward remediating alleged or proven racial discrimination that are specifically exempt in whole or in part from the revenue control limit and district additional assistance. This exemption applies only to expenses incurred for activities that are begun before the termination of the court order or administrative agreement. If a district is levying a ~~primary~~ property tax on February 23, 2006 and using those monies to administer an English language learner program to remedy alleged or proven discrimination under title VI of the civil rights act of 1964 (42 United States Code section 2000d), the district may spend those monies to remedy a violation of the equal educational opportunities act of 1974 (20 United States Code section 1703(f)). Nothing in this subsection allows a school district to levy a ~~primary~~ property tax for violations of the equal educational opportunities act of 1974 (20 United States Code section 1703(f)) in the absence of an alleged or proven discrimination under title VI of the civil rights act of 1964 (42 United States Code section 2000d).

H. If a governing board chooses to budget monies outside of the revenue control limit as provided in subsection G of this section, the governing board may do one of the following:

1. Use monies from the maintenance and operation fund equal to any excess desegregation or compliance expenses beyond the revenue control limit before June 30 of the current year.

2. Notify the county school superintendent to include the cost of the excess expenses in the county school superintendent's estimate of the additional amount needed for the school district from the ~~primary~~ SECONDARY property tax as provided in section 15-991.

3. Employ the provisions of both paragraphs 1 and 2 of this subsection, provided that the total amount transferred and included in the amount needed from property taxes does not exceed the total amount budgeted as prescribed in subsection J, paragraph 1 of this section.

I. If a governing board chooses to budget monies outside of district additional assistance as provided in subsection G of this section, the governing board may notify the county school superintendent to include the cost of the excess expenses in the county school superintendent's estimate of the additional amount needed for the school district from the ~~primary~~ SECONDARY property tax as provided in section 15-991.

J. A governing board using subsections G, H and I of this section:

1. Shall prepare and employ a separate maintenance and operation desegregation budget and capital outlay desegregation budget on a form prescribed by the superintendent of public instruction in conjunction with the auditor general. The budget format shall be designed to allow a school district to plan and provide in detail for expenditures to be incurred solely as a result of compliance with or continuing to implement activities that were required or permitted by a court order of desegregation or administrative agreement with the United States department of education office for civil rights directed toward remediating alleged or proven racial discrimination.

2. Shall prepare as a part of the annual financial report a detailed report of expenditures incurred solely as a result of compliance with or continuing to implement activities that were required or permitted by a court order of desegregation or administrative agreement with the United States department of education office for civil rights directed toward remediating alleged or proven racial discrimination, in a format prescribed by the auditor general in conjunction with the Arizona department of education as provided by section 15-904.

3. On or before July 15 each year, shall collect and report data regarding activities related to a court order of desegregation or an administrative agreement with the United States department of education office for civil rights directed toward remediating alleged or proven racial discrimination in a format prescribed by the Arizona department of education. The Arizona department of education shall compile and submit copies of the reports to the governor, the president of the senate, the speaker of the house of representatives and the chairpersons of the

education committees of the senate and the house of representatives and shall submit a copy to the secretary of state. A school district that becomes subject to a new court order of desegregation or a party to an administrative agreement with the United States department of education office for civil rights directed toward remediating alleged or proven racial discrimination shall submit these reports on or before July 15 or within ninety days of the date of the court order or administrative agreement, whichever occurs first. The Arizona department of education, in consultation with the auditor general, shall develop reporting requirements to ensure that school districts submit at least the following information and documentation to the Arizona department of education:

(a) A district-wide budget summary and a budget summary on a school-by-school basis for each school in the school district that lists the sources and uses of monies that are designated for desegregation purposes.

(b) A detailed list of desegregation activities on a district-wide basis and on a school-by-school basis for each school in the school district.

(c) The date that the school district was determined to be out of compliance with title VI of the civil rights act of 1964 (42 United States Code section 2000d) and the basis for that determination.

(d) The initial date that the school district began to levy property taxes to provide funding for desegregation expenses and any dates that these property tax levies were increased.

(e) If applicable, a current and accurate description of all magnet type programs that are in operation pursuant to the court order during the current school year on a district-wide basis and on a school-by-school basis. This information shall contain the eligibility and attendance criteria of each magnet type program, the capacity of each magnet type program, the ethnic composition goals of each magnet type program, the actual attending ethnic composition of each magnet type program and the specific activities offered in each magnet type program.

(f) The number of pupils who participate in desegregation activities on a district-wide basis and on a school-by-school basis for each school in the school district.

(g) A detailed summary of the academic achievement of pupils on a district-wide basis and on a school-by-school basis for each school in the school district.

(h) The number of employees, including teachers and administrative personnel, on a district-wide basis and on a school-by-school basis for each school in the school district that is necessary to conduct desegregation activities.

(i) The number of employees, including teachers and administrative personnel, on a district-wide basis and on a school-by-school basis for each school in the school district and the number of employees at school

district administrative offices that are funded in whole or in part with desegregation monies received pursuant to this section.

(j) The amount of monies that is not derived through a primary or secondary property tax levy and that is budgeted and spent on desegregation activities on a district-wide basis and on a school-by-school basis for each school in the school district.

(k) Verification that the desegregation funding will supplement and not supplant funding for other academic and extracurricular activities.

(l) Verification that the desegregation funding is educationally justifiable.

(m) Any documentation that supports the proposition that the requested desegregation funding is intended to result in equal education opportunities for all pupils in the school district.

(n) Verification that the desegregation funding will be used to promote systemic and organizational changes within the school district.

(o) Verification that the desegregation funding will be used in accordance with the academic standards adopted by the state board of education pursuant to sections 15-701 and 15-701.01.

(p) Verification that the desegregation funding will be used to accomplish specific actions to remediate proven discrimination pursuant to title VI of the civil rights act of 1964 (42 United States Code section 2000d) as specified in the court order or administrative agreement.

(q) An evaluation by the school district of the effectiveness of the school district's desegregation measures.

(r) An estimate of when the school district will be in compliance with the court order or administrative agreement and a detailed account of the steps that the school district will take to achieve compliance.

(s) Any other information that the Arizona department of education deems necessary to carry out the purposes of this paragraph.

K. If a school district governing board budgets for expenses of complying with a court order of desegregation or an administrative agreement with the United States department of education office for civil rights directed toward remediating alleged or proven racial discrimination, the governing board shall ensure that the desegregation expenses will:

1. Be educationally justifiable.

2. Result in equal education opportunities for all pupils in the school district.

3. Be used to promote systemic and organizational changes within the school district.

4. Be used in accordance with the academic standards adopted by the state board of education pursuant to sections 15-701 and 15-701.01.

5. Be used to accomplish specific actions to remediate proven discrimination pursuant to title VI of the civil rights act of 1964

(42 United States Code section 2000d) as specified in the court order or administrative agreement.

6. Be used in accordance with a plan submitted to the department of education that includes an estimate of the amount of monies that will be required to bring the school district into compliance with the court order or administrative agreement and an estimate of when the school district will be in compliance with the court order or administrative agreement.

7. Each fiscal year, not exceed the amount budgeted by the school district for desegregation expenses in fiscal year 2008-2009.

L. BEGINNING IN FISCAL YEAR 2018-2019, SUBSECTIONS G THROUGH K OF THIS SECTION APPLY ONLY IF THE GOVERNING BOARD USES REVENUES FROM SECONDARY PROPERTY TAXES RATHER THAN PRIMARY PROPERTY TAXES TO FUND EXPENSES OF COMPLYING WITH OR CONTINUING TO IMPLEMENT ACTIVITIES THAT WERE REQUIRED OR ALLOWED BY A COURT ORDER OF DESEGREGATION OR ADMINISTRATIVE AGREEMENT WITH THE UNITED STATES DEPARTMENT OF EDUCATION OFFICE FOR CIVIL RIGHTS DIRECTED TOWARD REMEDIATING ALLEGED OR PROVEN RACIAL DISCRIMINATION THAT ARE SPECIFICALLY EXEMPT IN WHOLE OR IN PART FROM THE REVENUE CONTROL LIMIT AND DISTRICT ADDITIONAL ASSISTANCE. SECONDARY PROPERTY TAXES LEVIED PURSUANT TO THIS SUBSECTION DO NOT REQUIRE VOTER APPROVAL, BUT SHALL BE SEPARATELY DELINEATED ON A PROPERTY OWNER'S PROPERTY TAX STATEMENT.

~~L.~~ M. The governing board may budget for the bond issues portion of the cost of tuition charged the district as provided in section 15-824 for the pupils attending school in another school district, except that if the district is a common school district not within a high school district, the district may only include that part of tuition that is excluded from the revenue control limit and district support level as provided in section 15-951. The bond issues portion of the cost of tuition charged is specifically exempt from the revenue control limit of the school district of residence, and the primary property tax rate set to fund this amount shall not be included in the computation of additional state aid for education as provided in section 15-972, except as provided in section 15-972, subsection E. The department of education and the auditor general shall include in the maintenance and operation section of the budget format, as provided in section 15-903, a separate category for the bond issues portion of the cost of tuition.

~~M.~~ N. The governing board may budget for interest expenses it incurred for registering warrants drawn against a fund of the school district or net interest expense on tax anticipation notes as prescribed in section 35-465.05, subsection C for the fiscal year preceding the current year if the county treasurer pooled all school district monies for investment as provided in section 15-996 for the fiscal year preceding the current year and, in those school districts that receive state aid, the school districts applied for an apportionment of state aid before the date set for the apportionment as provided in section 15-973 for the fiscal year preceding the current year. The governing board may budget an amount

for interest expenses for registering warrants or issuing tax anticipation notes equal to or less than the amount of the warrant interest expense or net interest expense on tax anticipation notes as prescribed in section 35-465.05, subsection C for the fiscal year preceding the current year as provided in this subsection that is specifically exempt from the revenue control limit. For the purposes of this subsection, "state aid" means state aid as determined in sections 15-971 and 15-972.

Sec. 3. Section 43-409, Arizona Revised Statutes, is amended to read:

43-409. Job creation withholdings clearing account

A. The job creation withholdings clearing account is established consisting of the sum of ~~twenty-six million five hundred thousand dollars of withholding tax revenues in fiscal year 2015-2016 and twenty-one million five hundred thousand dollars for~~ $21,500,000 IN FISCAL YEAR 2018-2019 AND $15,500,000 IN each fiscal year after ~~2015-2016~~ FISCAL YEAR 2018-2019.

B. On the twentieth day of each month, the state treasurer shall credit the following amounts from the clearing account:

1. To the Arizona commerce authority fund established by section 41-1506, one-twelfth of the annual sum of ~~ten million dollars~~ $10,000,000 in each fiscal year.

2. To the Arizona competes fund established by section 41-1545.01, one-twelfth of the annual sum of ~~sixteen million five hundred thousand dollars in fiscal year 2015-2016 and eleven million five hundred thousand dollars for~~ $11,500,000 IN FISCAL YEAR 2018-2019 AND $5,500,000 IN each fiscal year after ~~2015-2016~~ FISCAL YEAR 2018-2019.

Sec. 4. Section 43-1022, Arizona Revised Statutes, is amended to read:

43-1022. Subtractions from Arizona gross income

In computing Arizona adjusted gross income, the following amounts shall be subtracted from Arizona gross income:

1. The amount of exemptions allowed by section 43-1023.

2. Benefits, annuities and pensions in an amount totaling not more than two thousand five hundred dollars received from one or more of the following:

(a) The United States government service retirement and disability fund, ~~retired or retainer pay of the uniformed services of the United States,~~ the United States foreign service retirement and disability system and any other retirement system or plan established by federal law.

(b) The Arizona state retirement system, the corrections officer retirement plan, the public safety personnel retirement system, the elected officials' retirement plan, an optional retirement program established by the Arizona board of regents under section 15-1628, an optional retirement program established by a community college district

board under section 15-1451 or a retirement plan established for employees of a county, city or town in this state.

3. A beneficiary's share of the fiduciary adjustment to the extent that the amount determined by section 43-1333 decreases the beneficiary's Arizona gross income.

4. Interest income received on obligations of the United States, less any interest on indebtedness, or other related expenses, and deducted in arriving at Arizona gross income, which were incurred or continued to purchase or carry such obligations.

5. The excess of a partner's share of income required to be included under section 702(a)(8) of the internal revenue code over the income required to be included under chapter 14, article 2 of this title.

6. The excess of a partner's share of partnership losses determined pursuant to chapter 14, article 2 of this title over the losses allowable under section 702(a)(8) of the internal revenue code.

7. The amount allowed by section 43-1025 for contributions during the taxable year of agricultural crops to charitable organizations.

8. The portion of any wages or salaries paid or incurred by the taxpayer for the taxable year that is equal to the amount of the federal work opportunity credit, the empowerment zone employment credit, the credit for employer paid social security taxes on employee cash tips and the Indian employment credit that the taxpayer received under sections 45A, 45B, 51(a) and 1396 of the internal revenue code.

9. The amount of prizes or winnings less than five thousand dollars in a single taxable year from any of the state lotteries established and operated pursuant to title 5, chapter 5.1, article 1.

10. The amount of exploration expenses that is determined pursuant to section 617 of the internal revenue code, that has been deferred in a taxable year ending before January 1, 1990 and for which a subtraction has not previously been made. The subtraction shall be made on a ratable basis as the units of produced ores or minerals discovered or explored as a result of this exploration are sold.

11. The amount included in federal adjusted gross income pursuant to section 86 of the internal revenue code, relating to taxation of social security and railroad retirement benefits.

12. To the extent not already excluded from Arizona gross income under the internal revenue code, compensation received for active service as a member of the reserves, the national guard or the armed forces of the United States, including compensation for service in a combat zone as determined under section 112 of the internal revenue code.

13. The amount of unreimbursed medical and hospital costs, adoption counseling, legal and agency fees and other nonrecurring costs of adoption not to exceed three thousand dollars. In the case of a husband and wife who file separate returns, the subtraction may be taken by either taxpayer or may be divided between them, but the total subtractions allowed both

husband and wife shall not exceed three thousand dollars. The subtraction under this paragraph may be taken for the costs that are described in this paragraph and that are incurred in prior years, but the subtraction may be taken only in the year during which the final adoption order is granted.

14. The amount authorized by section 43-1027 for the taxable year relating to qualified wood stoves, wood fireplaces or gas fired fireplaces.

15. The amount by which a net operating loss carryover or capital loss carryover allowable pursuant to section 43-1029, subsection F exceeds the net operating loss carryover or capital loss carryover allowable pursuant to section 1341(b)(5) of the internal revenue code.

16. Any amount of qualified educational expenses that is distributed from a qualified state tuition program determined pursuant to section 529 of the internal revenue code and that is included in income in computing federal adjusted gross income.

17. Any item of income resulting from an installment sale that has been properly subjected to income tax in another state in a previous taxable year and that is included in Arizona gross income in the current taxable year.

18. The amount authorized by section 43-1030 relating to holocaust survivors.

19. For property placed in service:

(a) In taxable years beginning before December 31, 2012, an amount equal to the depreciation allowable pursuant to section 167(a) of the internal revenue code for the taxable year computed as if the election described in section 168(k)(2)(D)(iii) of the internal revenue code had been made for each applicable class of property in the year the property was placed in service.

(b) In taxable years beginning from and after December 31, 2012 through December 31, 2013, an amount determined in the year the asset was placed in service based on the calculation in subdivision (a) of this paragraph. In the first taxable year beginning from and after December 31, 2013, the taxpayer may elect to subtract the amount necessary to make the depreciation claimed to date for the purposes of this title the same as it would have been if subdivision (c) of this paragraph had applied for the entire time the asset was in service. Subdivision (c) of this paragraph applies for the remainder of the asset's life. If the taxpayer does not make the election under this subdivision, subdivision (a) of this paragraph applies for the remainder of the asset's life.

(c) In taxable years beginning from and after December 31, 2013 through December 31, 2015, an amount equal to the depreciation allowable pursuant to section 167(a) of the internal revenue code for the taxable year as computed as if the additional allowance for depreciation had been ten percent of the amount allowed pursuant to section 168(k) of the internal revenue code.

(d) In taxable years beginning from and after December 31, 2015 through December 31, 2016, an amount equal to the depreciation allowable pursuant to section 167(a) of the internal revenue code for the taxable year as computed as if the additional allowance for depreciation had been fifty-five percent of the amount allowed pursuant to section 168(k) of the internal revenue code.

(e) In taxable years beginning from and after December 31, 2016, an amount equal to the depreciation allowable pursuant to section 167(a) of the internal revenue code for the taxable year as computed as if the additional allowance for depreciation had been the full amount allowed pursuant to section 168(k) of the internal revenue code.

20. With respect to property that is sold or otherwise disposed of during the taxable year by a taxpayer that complied with section 43-1021, paragraph 14 with respect to that property, the amount of depreciation that has been allowed pursuant to section 167(a) of the internal revenue code to the extent that the amount has not already reduced Arizona taxable income in the current or prior taxable years.

21. With respect to property for which an adjustment was made under section 43-1021, paragraph 15, an amount equal to one-fifth of the amount of the adjustment pursuant to section 43-1021, paragraph 15 in the year in which the amount was adjusted under section 43-1021, paragraph 15 and in each of the following four years.

22. The amount contributed during the taxable year to college savings plans established pursuant to section 529 of the internal revenue code to the extent that the contributions were not deducted in computing federal adjusted gross income. The amount subtracted shall not exceed:

(a) Two thousand dollars for a single individual or a head of household.

(b) Four thousand dollars for a married couple filing a joint return. In the case of a husband and wife who file separate returns, the subtraction may be taken by either taxpayer or may be divided between them, but the total subtractions allowed both husband and wife shall not exceed four thousand dollars.

23. The amount of any original issue discount that was deferred and not allowed to be deducted in computing federal adjusted gross income in the current taxable year pursuant to section 108(i) of the internal revenue code as added by section 1231 of the American recovery and reinvestment act of 2009 (P.L. 111-5).

24. The amount of previously deferred discharge of indebtedness income that is included in the computation of federal adjusted gross income in the current taxable year pursuant to section 108(i) of the internal revenue code as added by section 1231 of the American recovery and reinvestment act of 2009 (P.L. 111-5), to the extent that the amount was previously added to Arizona gross income pursuant to section 43-1021, paragraph 17.

25. The portion of the net operating loss carryforward that would have been allowed as a deduction in the current year pursuant to section 172 of the internal revenue code if the election described in section 172(b)(1)(H) of the internal revenue code had not been made in the year of the loss that exceeds the actual net operating loss carryforward that was deducted in arriving at federal adjusted gross income. This subtraction only applies to taxpayers who made an election under section 172(b)(1)(H) of the internal revenue code as amended by section 1211 of the American recovery and reinvestment act of 2009 (P.L. 111-5) or as amended by section 13 of the worker, homeownership, and business assistance act of 2009 (P.L. 111-92).

26. For taxable years beginning from and after December 31, 2013, the amount of any net capital gain included in federal adjusted gross income for the taxable year derived from investment in a qualified small business as determined by the Arizona commerce authority pursuant to section 41-1518.

27. An amount of any net long-term capital gain included in federal adjusted gross income for the taxable year that is derived from an investment in an asset acquired after December 31, 2011, as follows:

(a) For taxable years beginning from and after December 31, 2012 through December 31, 2013, ten percent of the net long-term capital gain included in federal adjusted gross income.

(b) For taxable years beginning from and after December 31, 2013 through December 31, 2014, twenty percent of the net long-term capital gain included in federal adjusted gross income.

(c) For taxable years beginning from and after December 31, 2014, twenty-five percent of the net long-term capital gain included in federal adjusted gross income. For the purposes of this paragraph, a transferee that receives an asset by gift or at the death of a transferor is considered to have acquired the asset when the asset was acquired by the transferor. If the date an asset is acquired cannot be verified, a subtraction under this paragraph is not allowed.

28. If an individual is not claiming itemized deductions pursuant to section 43-1042, the amount of premium costs for long-term care insurance, as defined in section 20-1691.

29. With respect to a long-term health care savings account established pursuant to section 43-1032, the amount deposited by the taxpayer in the account during the taxable year to the extent that the taxpayer's contributions are included in the taxpayer's federal adjusted gross income.

30. The amount of eligible access expenditures paid or incurred during the taxable year to comply with the requirements of the Americans with disabilities act of 1990 (P.L. 101-336) or title 41, chapter 9, article 8 as provided by section 43-1024.

31. For taxable years beginning from and after December 31, 2017, the amount of any net capital gain included in Arizona gross income for the taxable year that is derived from the exchange of one kind of legal tender for another kind of legal tender. For the purposes of this paragraph:

(a) "Legal tender" means a medium of exchange, including specie, that is authorized by the United States Constitution or Congress for the payment of debts, public charges, taxes and dues.

(b) "Specie" means coins having precious metal content.

32. BENEFITS, ANNUITIES AND PENSIONS RECEIVED AS RETIRED OR RETAINER PAY OF THE UNIFORMED SERVICES OF THE UNITED STATES IN AMOUNTS AS FOLLOWS:

(a) FOR TAXABLE YEARS THROUGH DECEMBER 31, 2018, AN AMOUNT TOTALING NOT MORE THAN TWO THOUSAND FIVE HUNDRED DOLLARS.

(b) FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2018, AN AMOUNT TOTALING NOT MORE THAN THREE THOUSAND FIVE HUNDRED DOLLARS.

Sec. 5. Laws 2017, chapter 312, section 7 is amended to read:

Sec. 7. Department of gaming; regulatory assessment; pari-mutuel pool

Notwithstanding ~~section 5-104, Arizona Revised Statutes~~ ANY OTHER LAW, in fiscal ~~year~~ YEARS 2017-2018 AND 2018-2019, the department of gaming shall establish and collect a regulatory assessment from each commercial racing permittee, payable from amounts deducted from pari-mutuel pools by the permittee, in addition to the amounts the permittee is authorized to deduct pursuant to section 5-111, subsection B, Arizona Revised Statutes, from amounts wagered on live and simulcast races from in-state and out-of-state wagering handled by the permittee, in the amount of 0.5 percent of the amounts wagered.

Sec. 6. Laws 2017, chapter 312, section 8 is amended to read:

Sec. 8. Appropriation; department of transportation; local governments; highways; fiscal year 2017-2018

A. Notwithstanding any other law, the sum of $30,000,000 is appropriated on a onetime basis from the highway expansion and extension loan program fund established by section 28-7674, Arizona Revised Statutes, in ~~each of~~ fiscal ~~years~~ YEAR 2017-2018 ~~and 2018-2019~~ to the department of transportation for distribution as follows:

1. To the counties, 33.231 percent.

2. To the incorporated cities and towns, 48.097 percent.

3. To incorporated cities with a population of three hundred thousand or more persons, 5.247 percent.

4. To counties with a population of more than eight hundred thousand persons, 13.425 percent.

B. The allocation and distribution made pursuant to subsection A, paragraphs 1, 2 and 3 of this section shall be made as prescribed in section 28-6540, Arizona Revised Statutes. The allocation and

distribution made pursuant to subsection A, paragraph 4 of this section shall be made as prescribed in section 28-6538, subsection B, Arizona Revised Statutes.

C. The ~~amounts~~ AMOUNT appropriated in this section may be used only for the direct costs of constructing, reconstructing, maintaining or repairing public highways, streets or bridges and direct costs of rights-of-way acquisitions and expenses related thereto.

Sec. 7. Laws 2017, chapter 312, section 9 is amended to read:

Sec. 9. Arizona highway user revenue fund; distributions; fiscal years 2018-2019 and 2019-2020

A. Notwithstanding any other law, before the distribution of revenues of the Arizona highway user revenue fund pursuant to section 28-6538, Arizona Revised Statutes, the department of transportation shall allocate and the state treasurer shall distribute $30,000,000 in EACH OF fiscal ~~year~~ YEARS 2018-2019 and ~~$60,000,000 in fiscal year~~ 2019-2020 as follows:

1. To the counties, 33.231 percent.

2. To the incorporated cities and towns, 48.097 percent.

3. To incorporated cities with a population of three hundred thousand or more persons, 5.247 percent.

4. To counties with a population of more than eight hundred thousand persons, 13.425 percent.

B. The allocation and distributions made pursuant to subsection A, paragraphs 1, 2 and 3 of this section shall be made as prescribed in section 28-6540, Arizona Revised Statutes. The allocation and distribution made pursuant to subsection A, paragraph 4 of this section shall be made as prescribed in section 28-6538, subsection B, Arizona Revised Statutes.

C. The amounts appropriated in this section may be used only for the direct costs of constructing, reconstructing, maintaining or repairing public highways, streets or bridges and direct costs of rights-of-way acquisitions and expenses related thereto.

~~D. It is the intent of the legislature that the fiscal year 2019-2020 distribution be matched by a $30,000,000 reduction to the Arizona highway user revenue fund appropriation to the department of public safety. It is also the intent of the legislature that the state general fund appropriation to the department of public safety be increased by $30,000,000 in fiscal year 2019-2020 so as to not allow the shift to impact the operations of the department.~~

Sec. 8. Department of gaming; boxing and mixed martial arts revenues; unarmed combat subaccount

Notwithstanding any other law, the director of the department of gaming shall deposit amounts received in fiscal year 2018-2019 from all sources, except licensing fees, related to the conduct of boxing and mixed martial arts under title 5, Arizona Revised Statutes, including the levy

of the tax on gross receipts imposed on boxing or mixed martial events, cash bonds and surety bonds, in an unarmed combat subaccount within the racing regulation fund established by section 5-113.01, Arizona Revised Statutes. Monies deposited in the racing regulation fund pursuant to this section shall be used exclusively to administer and regulate boxing, mixed martial arts and other unarmed combat events.

Sec. 9. Department of insurance; fee and assessment adjustment suspension

Notwithstanding section 20-167, subsection E, Arizona Revised Statutes, and section 20-466, subsection J, Arizona Revised Statutes, the director of insurance may not revise fees or assessments in fiscal year 2018-2019 for the purpose of meeting the requirement to recover at least ninety-five percent but not more than one hundred ten percent of the department of insurance's appropriated budget.

Sec. 10. Agricultural fees; continuation; intent; rulemaking exemption

A. Notwithstanding any other law, the director of the Arizona department of agriculture, with the assistance of the department of agriculture advisory council, may continue, increase or lower existing fees from fiscal years 2016-2017 and 2017-2018 in fiscal year 2018-2019 for services provided in fiscal year 2018-2019.

B. It is the intent of the legislature that the additional revenue generated by the fees prescribed in subsection A of this section not exceed $218,000 to the state general fund, $113,000 to the pesticide trust fund established by section 3-350, Arizona Revised Statutes, and $26,000 to the dangerous plants, pests and diseases trust fund established by section 3-214.01, Arizona Revised Statutes, in fiscal year 2018-2019.

C. The Arizona department of agriculture is exempt from the rulemaking requirements of title 41, chapter 6, Arizona Revised Statutes, until July 1, 2019 for the purpose of establishing fees pursuant to this section.

Sec. 11. County fiscal obligations; report

A. Notwithstanding any other law, for fiscal year 2018-2019, a county with a population of less than two hundred fifty thousand persons according to the 2010 United States decennial census may meet any county fiscal obligation from any source of county revenue designated by the county, including monies of any countywide special taxing jurisdiction of which the board of supervisors serves as the board of directors. Under the authority provided in this subsection, a county may not use more than $1,250,000 for purposes other than the purposes of the revenue source.

B. On or before October 1, 2018, all counties with a population of less than two hundred fifty thousand persons according to the 2010 United States decennial census shall report to the director of the joint legislative budget committee whether the county used a revenue source for purposes other than the purposes of the revenue source to meet a county

fiscal obligation pursuant to subsection A of this section and, if so, the specific source and amount of revenues that the county intends to use in fiscal year 2018-2019.

Sec. 12. Legislative intent

It is the intent of the legislature that in fiscal year 2018-2019 the fee prescribed in section 42-5041, subsection B, Arizona Revised Statutes, be assessed and collected pursuant to the following guidelines:

1. The total amount of fees for all counties, cities, towns, councils of governments and regional transportation authorities may not exceed $20,755,835 in any fiscal year.

2. The share of fees assessed to all counties pursuant to paragraph 1 of this section shall be in proportion to the aggregate amount of monies distributed to counties for the fiscal year two years preceding the current fiscal year pursuant to sections 42-5029, 42-6103, 42-6107, 42-6108, 42-6108.01, 42-6109, 42-6109.01, 42-6110, 42-6111 and 42-6112, Arizona Revised Statutes, as a percentage of aggregate distributions to all counties, cities, towns, councils of governments and regional transportation authorities located in a county with a population of more than four hundred thousand persons for the fiscal year two years preceding the current fiscal year pursuant to sections 42-5029, 42-6001, 42-6103, 42-6105, 42-6106, 42-6107, 42-6108, 42-6108.01, 42-6109, 42-6109.01, 42-6110, 42-6111, 42-6112 and 43-206, Arizona Revised Statutes.

3. The share of fees assessed to all cities and towns pursuant to paragraph 1 of this section shall be in proportion to the aggregate amount of monies distributed to cities and towns for the fiscal year two years preceding the current fiscal year pursuant to sections 42-5029, 42-6001 and 43-206, Arizona Revised Statutes, as a percentage of aggregate distributions to all counties, cities, towns, councils of governments and regional transportation authorities located in a county with a population of more than four hundred thousand persons for the fiscal year two years preceding the current fiscal year pursuant to sections 42-5029, 42-6001, 42-6103, 42-6105, 42-6106, 42-6107, 42-6108, 42-6108.01, 42-6109, 42-6109.01, 42-6110, 42-6111, 42-6112 and 43-206, Arizona Revised Statutes.

4. The share of fees assessed to all councils of governments pursuant to paragraph 1 of this section shall be in proportion to the aggregate amount of monies distributed to all councils of governments for the fiscal year two years preceding the current fiscal year pursuant to section 42-6105, Arizona Revised Statutes, as a percentage of aggregate distributions to all counties, cities, towns, councils of governments and regional transportation authorities located in a county with a population of more than four hundred thousand persons for the fiscal year two years preceding the current fiscal year pursuant to sections 42-5029, 42-6001, 42-6103, 42-6105, 42-6106, 42-6107, 42-6108, 42-6108.01, 42-6109,

42-6109.01, 42-6110, 42-6111, 42-6112 and 43-206, Arizona Revised Statutes.

5. The share of fees assessed to all regional transportation authorities located in a county with a population of more than four hundred thousand persons pursuant to paragraph 1 of this section shall be in proportion to the aggregate amount of monies distributed to all regional transportation authorities located in a county with a population of more than four hundred thousand persons for the fiscal year two years preceding the current fiscal year pursuant to section 42-6106, Arizona Revised Statutes, as a percentage of aggregate distributions to all counties, cities, towns, councils of governments and regional transportation authorities located in a county with a population of more than four hundred thousand persons for the fiscal year two years preceding the current fiscal year pursuant to sections 42-5029, 42-6001, 42-6103, 42-6105, 42-6106, 42-6107, 42-6108, 42-6108.01, 42-6109, 42-6109.01, 42-6110, 42-6111, 42-6112 and 43-206, Arizona Revised Statutes.

6. Except as provided by sections 42-5033 and 42-5033.01, Arizona Revised Statutes, the population of a county as determined by the most recent United States decennial census plus any revision to the decennial census certified by the United States census bureau shall be used as the basis for apportioning monies pursuant to paragraph 2 of this section.

7. Except as provided by sections 42-5033 and 42-5033.01, Arizona Revised Statutes, the population of a city or town as determined by the most recent United States decennial census plus any revision to the decennial census certified by the United States census bureau shall be used as the basis for apportioning monies pursuant to paragraph 3 of this section.

Sec. 13. Retroactivity

Section 15-910, Arizona Revised Statutes, as amended by this act, Laws 2017, chapter 312, sections 7 and 8, as amended by this act, and section 8 of this act apply retroactively to from and after June 30, 2018.

APPROVED BY THE GOVERNOR MAY 3, 2018

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 3, 2018

Passed the House May 3, 2018,

by the following vote: 33 Ayes,

26 Nays, 1 Not Voting

Speaker of the House

Jeni Drake

Chief Clerk of the House

Passed the Senate May 2, 2018,

by the following vote: 16 Ayes,

13 Nays, 1 Not Voting

President of the Senate

Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this

3rd day of May, 2018

at 3:28 o'clock P M.

Secretary to the Governor

Approved this 3rd day of

May, 2018,

at 4:58 o'clock P M.

Governor of Arizona

S.B. 1529

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 3 day of May, 2018,

at 5:58 o'clock P. M.

Secretary of State